

## Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 FPC-01 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 SCI-06 SSO-00 DRC-01 /188 W

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R 162101Z JAN 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2502

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POUCHED ALL CONSULAR POSTS IN CANADA FOR INFO

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR CA ENRG

SUBJECT: EFFECT ENERGY SITUATION ON AGRICULTURAL PRODUCTION AND  
TRADE

REFERENCES: (A) STATE 005278 JAN 10 (B) OTTAWA 2859

NOV 30 (C) OTTAWA 3105 DEC 27

BEGIN SUMMARY WE FORESEE LIKELY MODERATE INCREASES IN  
CANADA'S TOTAL FERTILIZER PRODUCTION FY73-75 AS INDICATED  
PARA 4. INVENTORIES CURRENTLY LOW BUT SUPPLIES FOR FY74  
INDICATED ADEQUATE BY AGRICULTURE CANADA AND INDUSTRY  
OFFICIALS. GOC URGING FARMERS TO ORDER EARLY TO ASSURE  
FY74 DELIVERY. CANADA FERTILIZER PRICE INFORMATION  
REPORTED ONLY AS INDICES (1961EQUALS100) INDICATE INCREASE  
FROM 114.7 IN OCTOBER 1972 TO 130.3 BY OCTOBER 1973  
(LATEST AVAILABLE). HOWEVER, GOC ANALYSTS CONSIDER PRESENT  
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PRICES FOR AGRICULTURAL COMMODITIES SUFFICIENTLY HIGH

THAT A FY74 LEVEL OF USAGE COMPARABLE TO FY73 LEVELS WOULD BE PROFITABLE. FERTILIZER MANUFACTURERS ESTIMATE FY74 DOMESTIC CONSUMPTION COULD BE 10 TO 15 PERCENT ABOVE FY73 LEVELS WITH A SOMEWHAT SMALLER INCREASE IN FY75 END SUMMARY

1. PRAIRIE PROVINCES CONSUMED 33 PERCENT OF CANADA'S 1,973,000 MT OF FERTILIZERS USED IN FY72. MOST OF EXPECTED FUTURE INCREASED CONSUMPTION WILL BE IN PRAIRIE PROVINCES. A NEW 78 MILLION DOLLAR AMMONIA/UREA PLANT IS PLANNED FOR MEDICINE HAT, ALBERTA JOINTLY BY CF INDUSTRIES OF CHICAGO, AND THREE CANADIAN COOPERATIVES TO BEGIN PRODUCTION IN 1976 OF ESTIMATED 1200 TONS ANHYDROUS AMMONIA AND 1500 TONS OF UREA PER DAY. IN VIEW OF AVAILABILITY OF NATURAL GAS AND OIL IN PRAIRIE PROVINCES, MORE FACILITIES OF THIS TYPE EXPECTED.

2. ROCK PHOSPHATES, MAINLY IMPORTED FROM U.S., IN SHORT SUPPLY. CANADA IMPORTED 1,708,444 MT FROM U.S. IN FY73. IN FY74 IMPORTS CUT TO 80 PERCENT OF CONTRACTS BY ENFORCEMENT OF "FORCE MAJEURE" CLAUSE. BOX CAR SHORTAGES LIMITING SHIPMENTS. WESTERN CANADA PLANTS CURRENTLY REPORTING NO ROCK PHOSPHATE INVENTORIES.

3. CANADA'S POTASH PRODUCTION CENTERED IN SASKATCHEWAN PRESENTLY LIMITED TO 70 PERCENT OF CAPACITY BY SASKATCHEWAN GOVERNMENT. SASKATCHEWAN RESTRICTION INITIATED AS OUTGROWTH OF 1970 NORTH AMERICAN PRICE WAR. IF POTASH DEMAND INCREASES PRODUCTION COULD BE INCREASED ACCORDINGLY.

4. FOLLOWING RESPONSES KEYED SPECIFICALLY TO QUESTIONS REFTEL (A): I. ESTIMATE OF CURRENT CANADIAN FERTILIZER PRODUCTION CAPACITY (000 MT, NUTRIENT BASIS): NITROGEN 1,332; PHOSPHATE 936; POTASH 7,551. II. CANADIAN FERTILIZER SUPPLY AND DISTRIBUTION (000 MT, FISCAL YEAR, NUTRIENT BASIS OF NITROGEN, PHOSPHATE, POTASH, WITH TOTAL FERTILIZERS INDICATED LAST IN PARENTHESIS)

1) PRODUCTION: 1/  
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1971:	726;	393#	3,105;	(8,901)
1972	861;	742;	3,766;	(10,189)
1973 EST.	850;	750;	# 3,800;	(10,342)
1974	1,130;	750;	5,000;	(12,000)O
1975 FORECAST	1,250;	750;	6,000;	(14,000)

2) IMPORTS: 1/  
1971: 12; 17; 26; (1,777)

1972 13; 19; 47; (1,971)  
1973 EST. 14; 20; 35; (2,087)  
1974 FORECAST 16; 20; 35; (2,100)  
1975 FORECAST 12; 20; 30; (1,800)

3) EXPORTS: 1/

1971: 447; 307; 3,002; (6,412)  
1972 395; 273; 3,605; (7,829)  
1973 EST. 375; 225; 3,500; (7,439)  
1974 FORECAST 390; 225; 4,000; (8,200)  
1975 FORECAST 400; 200; 4,500; (9,000)

4) SALES (CONSUMPTION) 1/

1971: 323; 326; 184; (1,915)  
1972 334; 339; 188; (1,973)  
1973 EST. 385; 390; 215; (2,268)  
1974 FORECAST 390; 400; 220; (2,500)  
1975 FORECAST 400; 400; 220; (2,600)

5) STOCKS: GOC STATISTICS CANADA OFFICIALS INDICATE THEY  
UNABLE TO OBTAIN RELIABLE STOCK DATA FROM FERTILIZER  
INDUSTRY HENCE POST WITHOUT ADEQUATE BASIS FOR ESTIMATES  
OR FORECASTS. 1/ SOURCE FOR FY71, FY72 STATISTICS  
CANADA, FERTILIZER TRADE 1972. HOWEVER, FY73 ESTIMATES  
AND FY74, 75 FORECASTS BY POST BASED ON INCOMPLETE DATA  
AND HENCE ONLY INDICATIVE OF GENERAL TRENDS.

III. FERTILIZER PRICES NOT AVAILABLE. INDEX OF FERTILIZER  
PRICES (1961=100) IN OCTOBER 1973 (LATEST AVAILABLE) WAS  
130.3 COMPARED TO 114.7 IN OCTOBER 1972. FURTHER INCREASES  
EXPECTED 1974 DUE TO INCREASED CANADIAN ENERGY PRICES.  
INTERNATIONAL FERTILIZER PRICES ALSO STRONGLY AFFECT DOMESTIC  
PRICES AS CANADA MAJOR EXPORTER. PRICE CONTROLS ON FERTILIZER  
INDUSTRY UNLIKELY CONSIDERING CURRENT GOC POLICY  
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BUT MANUFACTURERS STRONGLY URGED TO ASSURE CANADIAN  
SUPPLIES. IV. ADEQUATE FERTILIZER SUPPLIES EXPECTED  
FOR FY74. POST STILL HOLDING TO COMMENTS ON COMMODITY  
PRODUCTION, EXPORT AND IMPORT SITUATION MADE REFTEL  
(B). V. ESTIMATED CANADIAN GNP (CURRENT DOLLARS)  
CY72 C\$103 BILLION; CY73 ESTIMATED C\$118 BILLION;  
CY74 FORECAST C\$132 BILLION. CY74 ESTIMATE OF 12  
PERCENT GROWTH ASSUMES 5 PERCENT REAL GROWTH AND 7  
PERCENT INCREASE IN GNP DEFLATOR. SCHMIDT

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## Message Attributes

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